

# DEPARTMENT OF THE INTERIOR



Office of Insular Affairs

## **Financial Assistance Manual**

May 2009

**Department of the Interior - Office of Insular Affairs  
Financial Assistance Manual  
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## **PART I. PURPOSE OF THE OIA FINANCIAL ASSISTANCE MANUAL**

### **A. General Purpose**

This manual is intended to provide an overview of the financial assistance programs administered by the US Department of the Interior's Office of Insular Affairs (OIA). It is also intended to familiarize the reader with the various regulations, policies and procedures that apply to OIA's financial assistance programs.

### **B. Intended Audience**

This manual is intended for:

1. Insular area program and financial managers as guidance in their management and administration of OIA financial assistance.
2. Departmental personnel, including OIA personnel, as a reference document and training aid.

## **PART II. OVERVIEW - OFFICE OF INSULAR AFFAIRS**

### **A. Office Responsibilities**

OIA carries out the Secretary of the Interior's responsibilities for the US-affiliated insular areas. These include the four territories of Guam, American Samoa, the US Virgin Islands and the Commonwealth of the Northern Mariana Islands (CNMI); as well as the three Freely Associated States (FAS): The Federated States of Micronesia, the Republic of the Marshall Islands, and the Republic of Palau.<sup>1</sup>

### **B. Office Mission**

OIA's mission is to promote the self-sufficiency of the insular areas by providing financial and technical assistance, encouraging private sector economic development, promoting sound financial management practices in the insular governments, and by increasing Federal responsiveness to the unique needs of the island communities.

### **C. Office Budget**

Over the past several years and for the foreseeable future, OIA's budget has typically exceeded \$400 million annually. More than 98% of that budget is made up of direct financial assistance to the insular areas governments. Approximately 2% of the budget is dedicated to OIA's administrative

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<sup>1</sup> These three nations were all once included in the US-administered Trust Territory of the Pacific Islands, and currently have special relationships with the US as spelled out in documents known as Compacts of Free Association.

costs. OIA staff is spread worldwide, with approximately 25 people located in Washington DC, including the Deputy Assistant Secretary for Insular Affairs and the Director of the Office of Insular Affairs. Approximately 7 of the 25 positions in Washington DC function as grant managers. There are approximately 5 staff members located in Hawaii who oversee the Compact of Free Association grants to the Federated States of Micronesia and the Republic of the Marshall Islands. OIA also has staff in the Northern Mariana Islands (2), American Samoa (1), the Marshall Islands (1) and the Federated States of Micronesia (1). In addition, OIA funds an Ombudsman in the Northern Mariana Islands and 2 High Court justices in American Samoa. The cost of managing and monitoring financial assistance to the insular areas is less than 1% of the value of the assistance provided.

Very little of the budget is discretionary - approximately \$50 million annually. The remainder of the budget has been mandated in law, often based on negotiated agreements, such as the Compacts of Free Association with the Freely Associated States.

Approximately \$80 million of the budget is subject to annual appropriations. The remainder is funded through permanent budget authority.

The budget process for a single fiscal year begins in early spring, approximately 18 months before the beginning of that fiscal year. It is in this early formulation stage that insular area governments have input into the budget process. By May or June, OIA's budget justification is submitted to the Department for review and by August the Secretary of the Interior makes final budgetary decisions on behalf of the Department. In September, the budget estimates are submitted to the Office of Management and Budget (OMB). OMB decisions are made at the end of November. The President's budget is put together in December and January and is transmitted to Congress in February. Congress holds hearings and analyzes the budget between February and May. Between June and August, appropriations committees mark up the budget and report out a bill. Final legislative action normally takes place before the end of September unless the appropriation process stalls, in which case Congress will pass a temporary continuing resolution until the appropriation bill is passed.

For more information about the Office and to view OIA's most recent budget justifications please visit [www.doi.gov/oia](http://www.doi.gov/oia).

#### **D. Office Organization**

1. Deputy Assistant Secretary: OIA is headed by the Deputy Assistant Secretary (DAS) for Insular Affairs, who provides overall policy direction. The DAS serves as the granting official, making the final decision on awarding discretionary assistance and signing all awarding documents on behalf of the Department. The DAS also approves all reprogrammings of financial assistance within the guidelines established by the Congressional appropriations committees, determines and approves changes in program policy, and makes determinations on grantee appeals.
2. Director: The OIA Director advises the DAS on policy issues and acts on behalf of the DAS when delegated. The Director oversees the daily operation of the office including non-financial administrative functions, public information, and correspondence control.

3. Policy Division: The Policy Division performs general program, political, and economic analysis. It monitors and tracks Federal programs extended to the insular areas and handles legislative affairs with the exception of those related to the appropriations process. This division is primarily comprised of insular policy specialists and the Division Director.
4. Technical Assistance Division: The Technical Assistance Division is responsible for all General Technical Assistance grants and reimbursable support agreements, such as the Insular Management Control Initiative (Financial Management Improvement Program), the Coral Reef Initiative, and the Brown Tree Snake Control Program. It is also responsible for coordinating requests related to the annual CFO audit and direct payments for Virgin Islands Rum Excise Tax advances and Guam Section 30 Income Tax advances. This division is comprised of grant managers (see description below) and the Division Director.
5. Budget and Grants Management Division: The Budget and Grants Management Division is responsible for budget formulation and presentation, and performance planning. It manages financial assistance under the Compacts of Free Association, operational and capital improvement grants to insular areas, Water and Wastewater grants, Disaster Assistance grants, and the Operations and Maintenance Improvement Program. This division is comprised of grant managers (see description below), a budget analyst and the Division Director.

OIA Grant Managers: OIA grants managers are responsible for the day-to-day activities associated with OIA financial assistance. Grants managers, or their immediate supervisors (the Director of the Technical Assistance Division or the Director of the Budget and Grants Management Division, as applicable) authorize grant disbursements, review grant applications, interpret and enforce grant terms and conditions, terminate grants for non-performance or non-compliance, disallow costs, approve changes in project timing or scope, and modify grant terms and conditions within Federal guidelines and any additional parameters established in this manual.

### **PART III. TYPES OF FINANCIAL ASSISTANCE**

There are two basic types of assistance administered by OIA: Mandatory assistance and discretionary assistance.

#### **A. Mandatory Assistance**

Mandatory assistance is defined as assistance that is not subject to annual appropriations, is earmarked through the Federal budget process, is specifically provided for by Congress in appropriation language or accompanying reports and table, or is specified by statute or implementing

program regulations. There is generally no competition for funds among the insular areas in mandatory assistance. OIA's mandatory assistance programs include:

1. Compact Assistance: This includes all financial assistance directly authorized and specified in the Compacts of Free Association with the Federated States of Micronesia, the Republic of the Marshall Islands and the Republic of Palau. All Compact financial assistance is guaranteed in the Compacts and is provided through either mandatory appropriations or permanent appropriations. The financial relationships are governed exclusively by the Compacts and related subsidiary agreements. Except as specified in those documents, US laws and regulations do not apply. Please visit <http://uscompact.org/> to view the Compacts and related agreements.
  - a. Compact Impact Aid: Section 104 (e) of the Compact of Free Association Amendments Act (Public Law 108-188), also authorizes financial assistance for Hawaii, Guam, American Samoa, and the Commonwealth of the Northern Mariana Islands. The intent of this assistance is to provide, through 2023, \$30 million in annual grants to these jurisdictions to aid them in defraying the costs of Micronesian migration. Grants are limited to projects addressing the increased demands placed on health, educational, social, or public sector services, or infrastructure related to such services, due to the residence of qualified non-immigrants from the Republic of the Marshall Islands, the Federated States of Micronesia, or the Republic of Palau.
2. Payments to the US Territories: These are advance payments made by OIA to Guam for Section 30 income tax collections and to the US Virgin Islands for Rum Excise tax collections. The advance payments are required to be made prior to October 1 of each fiscal year. OIA receives data on the actual Guam Section 30 income tax collections from the US Department of Treasury - Internal Revenue Service and data on the actual Virgin Islands Rum Excise taxes from the US Department of Treasury - Alcohol and Tobacco Tax and Trade Bureau. OIA requests annual estimates for these advance payments from Guam and the US Virgin Islands. OIA then reviews the received estimates and the actual certifications, and adjusts the advance payments as necessary. OIA may make additional adjustment payments based on actual certifications as deemed appropriate.
  - a. What Guam Section 30 Is: Federal income taxes derived from Guam including, but not limited to, compensation paid to members of the Armed Forces and pensions paid to retired civilians and military employees of the US, or their survivors, who are residents of, or who are domiciled in Guam.
  - b. What the US Virgin Islands Rum Excise Tax Is: A tax imposed on distilled spirits produced in Virgin Islands and imported into the United States. The excise tax does not apply to distilled spirits that are exported from the United States or that are consumed in US possessions (e.g. Puerto Rico and the US Virgin Islands).

3. American Samoa Operations: The annual operating subsidy to the government of American Samoa is the only operating subsidy provided to the US Territories. It is directed assistance that appears in Federal appropriations tables as a line item. It is intended to be a supplement to, but not a substitute for, local revenues. Except as earmarked in Federal appropriations, its programmatic uses and allocations are subject to local appropriations and decisions.
4. Enewetak Operations: OIA currently provides financial assistance to Enewetak, one of the Marshall Islands atolls affected by US nuclear testing for its Food and Agriculture Support Program. This assistance is authorized in the Compact of Free Association Act of 1985 (Public Law 99-239). Current funding for this item is provided through the Compact of Free Association Amendments Act of 2003 (Public Law 108-188) and supplemental funding is sometimes provided through add-ons provided by Congress in the form of discretionary appropriations for this purpose.
5. Capital Improvement Project (CIP) Funding: CIP grants (also known as Covenant grants) are authorized by the Covenant to Establish a Commonwealth of the Northern Mariana Islands (Section 701 of Public Law 94-241, as amended). CIP funding is subject to annual appropriations. While the overall funding amount (\$27,720,000) is set in law, Covenant amendments enacted in 1996 (Public Law 104-134), authorized various uses for which the insular areas may seek assistance and for which OIA may exercise budgetary discretion to seek annual appropriations. This funding is intended to be used for capital improvements in the four US territories. The allocation of annual CIP funding among the US territories is determined by the CIP Competitive Criteria process (see Appendix A). A unique feature of these grants is that they may be used to meet the local matching requirement for capital improvement grants of other Federal agencies, subject to OIA's approval.

## **B. Discretionary Assistance**

Discretionary assistance is defined as assistance that is subject to annual appropriations and which OIA has some discretion to allocate after the appropriation. There is some competition for these funds among the eligible insular areas. OIA's discretionary assistance includes:

1. Territorial Assistance Funding: Territorial Assistance is funding for which OIA seeks budget authority in a lump sum to "extend to the insular governments, and their agencies and instrumentalities, with or without reimbursement, technical assistance on subjects within the responsibility of the respective territorial governments. Such assistance may be provided by the Secretary of the Interior through members of his staff, reimbursements to other departments or agencies of the Federal Government under sections 1535 and 1536 of title 31, grants to or cooperative agreements with such governments, agreements with Federal agencies or agencies of State or local governments, or the employment of private individuals, partnerships, or corporations. Technical assistance may include research, planning assistance, studies, and demonstration projects" (48 US Code 1469(d)). The following Territorial Assistance activities are currently funded:



- a. *General Technical Assistance*: Funds are awarded for projects which meet current OIA funding priorities through an annual application process described below. These grants are intended for short-term, non-capital projects and are not meant to supplant local funding of routine operating expenses of an insular government.
- b. *Insular Management Controls (Financial Management Improvement Program)*: This fund is used to promote and develop insular area institutions and capabilities that improve financial management and accountability.
- c. *Operations and Maintenance Improvement Program (OMIP)*: This fund is used in promoting and developing insular institutions and capabilities that improve the operation and maintenance of island infrastructure. This is the only OIA program that has specific legislative authority to require a matching contribution from the insular government.
- d. *Brown Treesnake Control*: This funding is used to control ecological and economic damage caused by the brown treesnake on Guam and to prevent its dispersal to other areas.
- e. *Coral Reef Initiative*: This funding is used to promote sound management and conservation of coral reefs in the insular areas.
- f. *Water and Wastewater Grants*: This funding is used to address emergency water and wastewater needs in the four US territories.
- g. *Disaster Assistance Grants*: This funding, which can be used to match Federal Emergency Management Agency mitigation grants or other sources of money, is used to repair disaster-damaged infrastructure and harden existing infrastructure in preparation for disasters such as typhoons, in the four US territories.

## PART IV. SELECTION OF THE ASSISTANCE INSTRUMENT

The vast majority of OIA's financial assistance is disbursed in the form of grant agreements and direct payments to the insular areas. On occasion, however, OIA enters into Reimbursable Support Agreements (Economy Act Agreements) with other Federal agencies to assist the insular areas. The selection of the assistance instrument will be consistent with the following definitions:

1. Grant Agreements: Grant agreements will be used by OIA to transfer a thing of value to a State, local government, or other recipient to serve a public purpose authorized by a law of the United States.

2. Direct Payments: Direct payments will be used to advance certain Federal income taxes related to Guam and certain Federal excise taxes related to the US Virgin Islands. Direct payments are also utilized for some Compact payments such as those made under the Palau Compact. Please refer to Part III A(2) of this manual, for further information on direct payments.
3. Reimbursable Support Agreements: Reimbursable support agreements will be used when it is in the best interest of the government to order goods or services from another government agency that cannot be provided as conveniently or cheaply by contract with commercial enterprise (The Economy Act of 1932, as amended (31 USC 1535)).

Note that OIA does not utilize cooperative agreements when disbursing financial assistance to the insular areas.

## **PART V. APPLYING FOR FINANCIAL ASSISTANCE**

Because OIA offers so many different types of financial assistance to the insular areas, application processes vary. A general overview is provided below but for detailed information on how to apply please contact the Budget and Grants Management Division at (202) 208-6971 or the Technical Assistance Division at (202) 208-4707.

With the exception of Compact of Free Association, American Samoa Operations and Enewetak Operations grants, applicants must complete the appropriate SF-424 forms when applying for OIA grants. In addition to the core SF-424 Application for Federal Assistance form or the SF-424 Application for Federal Domestic Assistance Short Organization Form, applicants must complete two additional forms; either the SF-424A Budget Information – Non Construction Programs or the SF-424C Budget Information – Construction Program, as appropriate to the proposed project(s), as well as the SF-424B Assurances – Non-Construction Programs or the SF-424D Assurances – Construction Programs, as appropriate to the proposed project(s). In total, three SF-424 forms must be submitted as part of the application. The SF-424 forms can be found on the OIA website: [www.doi.gov/oia](http://www.doi.gov/oia).

### **A. Application Procedures For Mandatory Grants**

1. Compact of Free Association Grants: The application procedures for Compact Assistance funding are set by the Compacts of Free Association and involve the submission of annual implementation plans by the Freely Associated States. Please visit <http://uscompact.org/> to view the Compacts and related agreements for additional information.
2. Compact Impact Grants: Call letters with application instructions and a due date are sent annually, usually in the summer, to the Governors of the eligible insular areas: Guam,

American Samoa, the CNMI, and Hawaii. Compact Impact grants are generally awarded at the beginning of the fiscal year.

3. American Samoa Operations Grants: Currently, no application process exists since these funds are appropriated solely for American Samoa Government operations. Operations grants are generally awarded at the beginning of the fiscal year, subject to the availability of budgetary appropriations, in consultation with the American Samoa government.
4. Enewetak Operations Grants: Currently, no application process exists since these funds are appropriated annually for the Enewetak Support Program which provides supplemental food and agricultural assistance to the nuclear-testing affected atoll. These grants are generally awarded at the beginning of the fiscal year.
5. Capital Improvement Project Grants: Call letters with application instructions are sent out annually, usually in the spring, to the Governors of the four US territories. The application package provides detailed instructions regarding how to apply and a due date. CIP grants are generally awarded at the beginning of the fiscal year subject to the availability of budgetary appropriations.

#### **B. Application Procedures For Discretionary Grants**

1. Technical Assistance and Insular Management Control Grants: Annual call letters are sent to all seven insular areas requesting proposals approximately two years in advance. In general, applications should include a priority funding list, descriptions of the proposed project(s), and the appropriate SF-424 Application for Federal Assistance forms.
2. Operations and Maintenance Improvement Program Grants: Grant applications are accepted year round, on an as-needed basis from insular area governments, their agencies and non-profit organizations that directly benefit the insular areas. The application should provide a detailed description of the proposed activity and should include the appropriate SF-424 Application for Federal Assistance forms.
3. Brown Treesnake Grants: Annual call letters are sent to key local and Federal players, usually in the summer. Brown Treesnake grants are generally awarded at the beginning of the fiscal year subject to the availability budgetary appropriations.
4. Coral Reef Grants: Grant applications are accepted year round, on an as-needed basis from insular area governments, educational institutions, and non-governmental organizations for activities that will directly benefit coral reefs in the insular areas.
5. Water and Wastewater Grants: Call letters with application instructions are sent out annually to the Governors of the four US territories. The call letters provide detailed instructions

regarding how to apply and a due date for the proposal. Grants are generally awarded at the beginning of the fiscal year subject to the availability budgetary appropriations.

6. Disaster Assistance Grants: Grant applications are accepted year round, on an as-needed basis from the four US territories. The application should provide a detailed description of the proposed activity and how it relates to disaster mitigation and should include the appropriate SF-424 forms.

### **C. Grant Application Restrictions**

1. Force Account: A force account project is defined as a capital improvement project in which the local government entity (grantee) acts a general contractor to design and/or build an infrastructure project by employing its own labor force and/or management, including contract employees. In general, OIA is opposed to funding force accounts with any of its grants though this is most applicable to its Capital Improvement Project grants. One of the major benefits of a capital improvement grant is that it not only pays for essential infrastructure necessary to provide a public service; but it also creates jobs and wealth in the local economy. Generally government should not be competing with private industry to perform commercial-type activities. Exceptions to this force account policy require written prior approval by OIA.
2. Indirect Costs: Indirect costs are defined as costs which are a) incurred for a common or joint purpose benefiting more than one cost objective, and (b) not readily assignable to the cost objectives specifically benefitted. OIA does not generally allow its grantees to charge indirect costs to its grants and as a result has not established an indirect cost rate. Costs associated with the administration of OIA grant projects and programs are to be charged against the grant funds only as approved in the project budget.

## **PART VI. GRANT AWARDS AND ACCEPTANCE**

### **A. The Grant Agreement**

The grant agreement, or "Notification of Grant Award" is prepared, as appropriate, by either Budget and Grants Management Division or the Technical Assistance Division and is signed by the Deputy Assistant Secretary or the OIA Director. In general, the agreement, in compliance with Departmental Manual Part 505 Chapter 2, identifies the recipient, the purpose(s) of the grant, the dollar value of the award, the CFDA Number, the period of performance, and assigns an award name, number and fiscal year. In addition, the grant agreement indicates the applicability of Federal regulations or other controlling documents (such as negotiated Fiscal Procedures Agreements); and sets forth general and specific terms and conditions, not otherwise incorporated or explained by the regulations or controlling documents.

For grants involving capital improvements, OIA may issue a provisional grant agreement, or “Notification of Provisional Grant Award” to ensure that the grantee complies with all required environmental laws and regulations prior to the start of the project. In those instances, the terms and conditions of the grant agreement will outline the steps the grantee must take to ensure compliance.

Copies of all grant awards are to be sent to OIA field representatives.

Grant awards to the Republic of the Marshall Islands are sent to the OIA field representative in the Marshall Islands for routing through the Embassy for announcement and signature. The OIA field representative ensures that grant award documents are signed and returned to the grant manager.

Grant awards for the Federated States of Micronesia are sent to the OIA field representative in the Federated States of Micronesia for routing through the Embassy for announcement and signature. The OIA field representative ensures that grant award documents are signed and returned to the grant manager.

## **B. Grant Acceptance**

1. Signature. Acceptance of a grant agreement occurs when the appropriate insular official signs and dates the document in the space provided and returns the signed document to the OIA. Return of the signed document sets the grant administration process in place by allowing obligation of the grant funds.
2. Compliance. Acceptance of a grant agreement creates a valid contract and legal responsibility to use the grant funds in accordance with the applicable regulations, the terms and conditions of the grant and for the purposes authorized. Acceptance also constitutes a certification that administering officials are fully cognizant of and will abide by the terms and conditions and applicable regulations. If the insular official believes that his or her government or organization cannot comply with applicable regulations or terms and conditions, it is their responsibility to notify OIA of those provisions that may create a compliance problem. OIA will assess the situation and provide technical assistance to rectify the area of non-compliance, if it deems necessary.

## **C. Applicability of Federal Regulations**

The Department of the Interior has adopted the Common Rule as regulation (43 Code of Federal Regulations 12, Subtitle A). With the exception of compact assistance grants to the Freely Associated States, these regulations apply to all OIA grants unless superseded by Federal law. In addition, OIA grants, as applicable, are subject to OMB Circulars A-102, “Grants and Cooperative Agreements with State and Local Governments,” A-110, “Grants and Other Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations,” A-87, “Cost Principles for State and Local Governments,” A-21, “Cost Principles for Educational Institutions,

“A-122, “Cost Principles for Non-Profit Organizations,” and A-133, “Audits of States, Local Governments, and Non-Profit Organizations.”

Compact assistance grants to the Freely Associated States are governed exclusively by the Compacts of Free Association and related subsidiary agreements. Except as specified in those documents, US laws and regulations do not apply. Please visit <http://uscompact.org/> to view the Compacts and related agreements.

#### **D. Terms and Conditions**

In addition to applying certain Federal regulations, each grant contains terms and conditions, that may further explain or clarify regulations; recognize the unique purpose of the grant, including directives from Congress incorporated in legislative history; dictate the period of performance; and reflect policies and determinations made by the Deputy Assistant Secretary or Director of OIA. As is the case with Federal regulations, failure to comply with the terms and conditions may result in the suspension or withholding of grant payments or a disallowance of costs incurred under the grant.

### **PART VII. GRANT ADMINISTRATION**

#### **A. Reprogramming**

In general terms, “to reprogram” means to change the purpose of the grant after it has been awarded. All reprogramming requests, including but not limited to scope of work or project budget changes, must be approved by OIA. The proposed changes may not be implemented until written approval of the reprogramming from OIA is received by the grantee. If prior approval of a reprogramming is not obtained, the grantee may be held liable to reimburse any costs incurred prior to reprogramming and the grant may be terminated.

#### **B. Drawdowns**

Drawdowns are the system for disbursing cash under the grant terms. It is OIA’s policy to be cognizant of the time value of money and to act on all drawdowns within three business days of receipt, either by approving the drawdown and commencing payment through the Treasury processes or by notifying the grantee of the reason the drawdown is being delayed or withheld. Drawdowns for eligible expenditures, actual or incurred, are to be requested by the grantee on a reimbursable basis, unless there has been a prearranged scheduling of advance payments, so as to minimize the time between receipt of funds from the US Treasury and the outlay of those funds for legitimate purposes. Prolonged holding of grant funds is a violation of grant terms and conditions and can result in offsets or other action by OIA to recover funds. At the discretion of the OIA grant manager, grantees may be requested to submit supporting documentation in conjunction with drawdown requests for any expenses.

Drawdowns are requested by grantees by means of a completed SF-270 Request for Advance or Reimbursement, or by validated electronic means. Prior to approval of the drawdown and its transmittal to Interior's National Business Center for posting and funds transfer, the grant manager will verify the following criteria:

1. that all identifying information is contained on the drawdown request;
2. that the drawdown is consistent with a current project budget and financial plan in the grant file;
3. that all grant reporting requirements have been met for each grant including timely submission of the SF-269 Financial Status Report, the SF-272 Federal Cash Transaction Report and narrative status reports;
4. that drawdown requests do not exceed available funds; and
5. that the grantee is in general compliance with all other grant terms and conditions.

### **C. Reporting**

OIA's financial and narrative reporting requirements are intended to ensure compliance with applicable Federal regulations. Grantees are required to submit a SF-269 Financial Status Report, a SF-272 Federal Cash Transactions Report, as well as a narrative status report for each grant project on a semi-annual basis. Reports are due within 30 days of the end of the reporting period dictated by the grant award terms and conditions. Final reports are due within 90 days of grant closure. Failure to submit reports on a timely basis may result in the withholding or denial of drawdowns, the withholding of further awards for the program, whole or partial suspension or termination of the current award, as well as other legal remedies.

### **D. Grant Monitoring**

Grant monitoring is a primary day-to-day responsibility of the OIA grant manager, but grant monitoring is also a shared responsibility of all OIA employees, both in headquarters and the field. Any evidence of non-compliance or other pertinent information is to be provided immediately and directly to the grant manager for appropriate action.

1. Responsibilities of the OIA Grant Manager:
  - a. maintain a file for each grant including a copy of the award, reports, and pertinent correspondence;
  - b. ensure the grant award document has been properly executed by the grantee and that the applicable SF-424 forms have been received;

- c. ensure the grant award document has been transmitted to the National Business Center for obligations, has been obligated in the accounting system and a copy has been sent to appropriate field offices;
- d. review all financial and narrative progress reports;
- e. review and approve all drawdowns;
- f. respond to all relevant correspondence and inquiries from the grantee;
- g. upon completion of the grant program or project, obtain final financial and narrative status reports and ensure proper disposition of any unliquidated balances; and
- h. to the extent possible, visit the project site(s), or brief other OIA personnel who may be visiting the project site, prepare site visit reports and ensure that work is progressing as reported.

2. Responsibilities of OIA field staff:

- a. maintain a file for each grant including a copy of the award, reports, and pertinent correspondence;
- b. conduct regular site visits of ongoing projects and meet with the insular program manager of each project at least quarterly and submit reports to the grants manager;
- c. advise the grants manager to deny or suspend drawdowns if it is determined the insular government is not in compliance with grant terms and conditions and notify the insular government so that corrective action can be taken as quickly as possible;
- d. meet with financial officials at the request of the grants manager to determine the status of late financial reports; and
- e. meet with insular government officials at least semiannually to discuss and obtain reports on the general economic condition of the insular area, the financial condition of the government, and the status of financial statements and audits. Written reports of the meetings should be submitted to the Deputy Assistant Secretary with copies to the Director and the OIA Division Directors.

## **E. Official Files**

Grant files are official files of the Department of the Interior. They are the responsibility of the grants manager and must be kept up to date in clearly marked file cabinets in close proximity to the grants manager while the project is open and for at least three years after the project has been



completed. Official files are not to be loaned or taken from the office without a signed receipt. The general policy is that loaned files are to be returned within two working days. The official grant files shall include:

1. a copy of the grant application, or budget request, whether submitted to OIA or directly to Congress, to the extent such documentation exists;
2. a copy of any pertinent information contained in Congressional committee reports or other legislative history;
3. a copy of the signed grant document and the appropriate SF-424 forms (as applicable);
4. any approved budget and financial plan or subsequent notice of approval;
5. a chronological log of all financial transactions pertinent to the grant, with enclosed copies of all drawdown requests;
6. copies of submitted financial and narrative reports, or reasonable facsimiles;
7. copies of site visit reports;
8. any other specific documentation required by the grant document or by the grants manager;  
and
9. a chronological file of all pertinent grant correspondence.

## **PART VIII. AUDITS**

### **A. Overview**

The purpose of this part is to define how OIA responds to assigned audit findings and recommendations. Audit findings and recommendations are made by the authority of the Inspector General of the Department of the Interior (OIG) or the General Accounting Office (GAO). These findings and recommendations are assigned to the Deputy Assistant Secretary by the OIG or GAO.

All operations and functions of the OIA are subject to audit. This includes all financial or technical assistance provided to the insular governments. In addition, all operations and functions of the insular governments are subject to federal audit.

### **B. The Audit Liaison Officer – Responsibilities and Authority**

1. The Deputy Assistant Secretary shall appoint an Audit Liaison Officer (ALO) for OIA.

2. The ALO shall maintain a log of all active audits and recommendations and their status.
3. The ALO shall be responsible for accessing the Federal Audit Clearinghouse website (<http://harvester.census.gov/sac/>) to determine when audit reports have been submitted. If a report is missing, the ALO will request follow-up action by the Clearinghouse and may consider imposing sanctions should the situation warrant it.
4. The ALO is delegated authority to:
  - a. assign audit findings to the appropriate OIA official for response;
  - b. respond directly to all inquiries on the status of audit recommendations and findings assigned to the Deputy Assistant Secretary;
  - c. sign correspondence to insular government officials seeking their input to audit findings and recommendations assigned to the Deputy Assistant Secretary; and
  - d. respond directly to audit findings and recommendations directed from the Regional audit offices.

### **C. The Audit Response Process - GAO Audits**

1. The Assistant Secretary - Policy Management and Budget is responsible for coordinating all responses to GAO audits. The Office of Financial Management is responsible for transmitting GAO audit findings and recommendations to the ALO.
2. The ALO logs in the arrival time of the audit and the recommendations, to whom they were referred and their status until signature on a final response.
3. The ALO reviews the audit and determines the best means and manner to respond.
4. The ALO reviews and, when necessary, consolidates responses and prepares a final response for the Deputy Assistant Secretary's signature, unless a higher level signature has been directed.

### **D. Audit Response Process - OIG Audits**

1. This process includes internal OIG audits, which are audits of OIA programs and operations; and external audits, which are Single Audits completed by an independent audit organization under the requirements of the Single Audit Act of 1984.
2. The OIG assigns specific findings and recommendations to the Deputy Assistant Secretary.

3. The ALO logs in the arrival time of the audit, the recommendations, to whom and when they were assigned and the status of each recommendation.
4. The ALO reviews the findings and recommendations and assigns responsibility to the appropriate OIA official(s) and or seeks input from the appropriate insular government official. (Normally audit recommendations involving crosscutting insular control issues are assigned to the Director of Technical Assistance, audit recommendations involving a specific OIA grant are assigned to the grant manager, and audit recommendations involving the insular governments are either assigned directly to them by the OIG or by the ALO.
5. Upon receiving the responses to the findings and recommendations, the ALO prepares for appropriate signature, a final response to the OIG. This responsibility may be delegated to the grants manager if there are not multiple or crosscutting recommendations.

#### **E. Audit Resolution Process**

In the event the OIG does not accept the responses to audit findings and recommendations, the Department's Office of Financial Management will initiate audit resolution procedures. The ALO will brief the Deputy Assistant Secretary on the different positions and will work with Departmental financial management staff towards resolution of the issues.

#### **F. Audit Follow-Up**

1. Internal Audits:
  - a. The ALO will maintain a record of all actions required to be taken in order to implement the internal audit recommendations addressed to OIA.
  - b. This record will be available for all Management Control and Audit Follow-up meetings convened by the Office of Financial Management.
2. External Audits: The audit follow-up mechanism for single audit recommendations made to OIA is the subsequent single audit.
3. GAO Audits: The ALO will respond to all Office of Financial Management inquiries regarding audit follow-up actions pertaining to GAO audits.

## **APPENDIX A**

### Competitive Criteria for the Proposed Allocation of Mandatory CIP Funding

1. The extent to which the applicant is in general compliance with deadlines established under the Single Audit Act of 1984.
2. The extent to which the applicant's financial statements were reliable.
3. The extent to which the applicant is exercising prudent financial management, is solvent, and is current in paying outstanding obligations.
4. The extent to which the applicant has demonstrated prompt and effective efforts to resolve questioned costs and internal control deficiencies identified in single audits.
5. The extent to which the applicant provides timely and comprehensive responses to any follow-up inquiries that OIA and other Federal agencies may have regarding single audits, including those related to questioned costs and those related to internal control deficiencies.
6. The extent to which the applicant has demonstrated effective contract administration and compliance with local statutes and regulations regarding procurement practices and processes.
7. The extent to which the applicant's capital improvement application is complete and submitted on time.
8. The extent to which the applicant has complied with all reporting requirements applicable to past and ongoing grants in an accurate manner.
9. The extent to which the applicant has properly functioning internal controls, including the presence of a qualified independent auditor, with an adequately funded office and strong safeguards to its independence.
10. The extent to which the applicant has complied with OIA information requirements that result from issues that arise outside of single audits.